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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000095

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TAGS: [EPET](#) [ECON](#) [KCOR](#) [PGOV](#) [GV](#)
SUBJECT: HYPERDYNAMICS SEEKS EMBASSY PERSPECTIVE ON
INVESTMENT RISK

REF: A. 08 CONAKRY 399
[1](#)B. 08 CONAKRY 454

Classified By: ECONOFF T. SCOTT BROWN FOR REASONS 1.4 (B) AND (D)

[1](#)1. (C) SUMMARY. During a 5 February meeting, the Executive VP of oil company Hyperdynamics, Harry Briers, told Embassy officials that despite repeated negotiations with the GoG, the company's claim to offshore drilling rights remains in doubt. Nevertheless, Briers said that the firm has attracted interest from several larger oil companies looking to join Hyperdynamics as partners, even as venture capital has dried up during the U.S. banking crisis. Embassy told Briers that any economic venture in Guinea is extremely risky, and that "humanitarian contributions" that the company could be perceived as tacit support of a military junta. Though Briers seemed upbeat at the end of the meeting, he also appeared to realize that there are few easy solutions to Guinea's political and social troubles. END SUMMARY.

[1](#)2. (C) On 5 February, Executive Vice President Harry Briers of U.S. oil exploration company SMS/Hyperdynamics Corporation (HYPD) met with A/DCM and Econoff to discuss the current business and political climate in Guinea. Briers said he was in Guinea to confirm the status of the company's offshore concession and to discuss its next development phase with the military junta.

"VICTORY" OF LAST VISIT FADES QUICKLY

[1](#)3. (C) Briers and other HYPD officers from the United States had last been to Guinea in July 2008. At that time, HYPD met former Prime Minister Ahmed Tidiane Souare and reportedly reached an agreement in principle on the validity of their concession and the next phase of its development, 3-D imaging. However, the delegation departed without securing a written confirmation of either point. Subsequent meetings between the GoG and local HYPD officials similarly failed to produce any written guarantees (reftels).

[1](#)4. (C) Briers told Embassy that he met Souare again in New York when the former PM traveled to the U.S. for the 2008 UNGA. According to Briers, after a lengthy discussion in Souare's hotel room, the PM's delegation demanded \$50 million to provide a written validation of their claim to the oil leases and approval for further imaging. Briers said he told Souare that he was unable to "just write a check for \$50 million to the government." Instead, he said he told the PM that he had drawn up a memorandum of understanding (MOU) that called for an unspecified amount of humanitarian aid and economic assistance to go to local NGOs as project implementers. Briers said the meeting ended without an

agreement, but that GoG officials later told him over the phone that his refusal of Square's terms was taken as "a slap in the face."

CONCESSION DRAWS INTEREST EVEN AS CAPITAL DRIES UP

15. (C) Currently, Briers said HYPD is essentially where it was last July, though the company has since taken on an unnamed mid-size joint-venture partner who is currently evaluating HYPD's 2-D imaging data to determine if a partnership would be profitable. He said that he has had other indications of interest from several other companies, including at least one "super-major" firm. However, he noted that a large portion of his investment capital had dried up due to the ongoing financial and banking crisis in the United States. He expressed hope that the CNDD-led government might be interested in becoming an official partner of the venture, though he quickly added that even the previous government had not committed itself to a formal partnership.

INVESTMENT IN GUINEA REMAINS RISKY

16. (C) A/DCM and Econoff told Briers that investment in Guinea is inherently risky, but even more so post coup. A/DCM said that because of the current status of U.S.-Guinean relations, any USG intervention on behalf of any U.S. firm may lack efficacy. A/DCM said that investment risk is

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compounded by an ingrained culture of corruption, a haphazard disregard for the rule of law, a non-functional judicial system, a government on the brink of bankruptcy, long-standing social problems, and a population that could quickly become disillusioned with the autocratic military regime. She also reminded Briers that historically, Guinean society has viewed extractive ventures with extreme skepticism and sometimes hostility. As examples, she cited displeasure with the Russian bauxite company Rusal, which recently faced a violent popular uprising, and mining giant Rio Tinto, half of whose multi-billion dollar iron ore concession was recently revoked by the government.

17. (C) A/DCM also cautioned Briers that any humanitarian or development assistance by HYPD could be perceived as propping up an illegitimate military regime. She said that the junta's finances are in such a shambles that they had recently raided several international companies in Conakry, seeking large, lump-sum payments on questionable grounds.

COMMENT

18. (C) Though the ground gained by HYPD in their last meeting in Guinea seems to have been quickly lost, HYPD's drive to secure its concession did not appear diminished. Briers was upbeat and hopeful that he could work with the new Minister of Mines who has spent most of his career in finance in New York. The briefing appeared to sober Briers, who seemed to realize by the end that the Guinean situation may be more complicated than anticipated. As before, Post continues to have concerns over FCPA issues involving HYPD, and will continue its current policy of not advocating on behalf of the company. END COMMENT.
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